

OVERSUPPLY – ARTICLES

March 1, 2023 **Cannabis Business Times**
<https://www.cannabisbusinesstimes.com/news/green-thumb-ceo-2022-financial-report/>

February 11, 2023 **NY Post**
<https://nypost.com/2023/02/11/illegal-weed-is-killing-licensed-california-bud-shops/>

February 8, 2023 **Burns Levinson**
[Moving Markets: Declining Economic Conditions in Western States Lead to Curaleaf Exit](#)

January 30, 2023 **Marketwatch**
[Is the cannabis gold rush over? Moves by Curaleaf, Ayr, Akerna and other companies point to tough times.](#)

January 3, 2023 **Dig Boston**
[Why Are Cannabis Prices Really Crashing?](#)

December 30, 2022 **The Washington Post**
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[As Michigan Cannabis Industry Matures, Demand for Capital Surges](#)

November 30, 2022 **9 NEWS – CO Local TV**
[Colorado marijuana industry experiencing 'largest downturn that we've ever seen'](#)

November 7, 2022 **MJBiz Daily**
[Cannabis growers report bumper harvest amid overproduction, low prices](#)

September 4, 2022 **Politico**
[Why weed companies can't make money](#)

October 31, 2022 **MJBiz Daily**
[Marijuana growers in mature markets call for license moratorium amid falling prices](#)

August 31, 2021 **Forbes**
['It's Gonna Be A Bloodbath': Epic Marijuana Oversupply Is Flooding California, Jeopardizing Legalization](#)

June 27, 2022 **MJBiz Daily**
[Adult-use marijuana companies struggle to stay afloat amid overproduction, falling prices](#)

May 6, 2019 **Forbes**
[The Giant Cannabis Problem No One Saw Coming](#)

OVERSUPPLY – ARTICLE EXPERTS

March 1, 2023 **Cannabis Business Times**

<https://www.cannabisbusinesstimes.com/news/green-thumb-ceo-2022-financial-report/>

“.. the cannabis industry—like many others—faced an inflationary environment that affected consumers’ pocketbooks, high interest rates that further squeezed access to capital, and concerns of a recession, Green Thumb CEO and Chairman Ben Kovler said in a conference call with shareholders on Tuesday.

‘also want to point out that concerns around price compression in our industry are very real,’ he said. ‘The days of fat margins and easy money in cannabis are waning. As people digest punitive tax rates and the high cost of capital, the dollars run out and margins slip. We are in the midst of a washout that will leave the industry with fewer operators, not more. This is ironic, as politicians and operators are talking about including more folks, not less.’

As Section 280E of the U.S. tax code continues to target cannabis businesses by depriving them of the same deductions and credits on expenses that are offered to other American businesses, there is an inadequate cash flow for “the marginal player,” Kovler said.

“...cash flow generation and balance sheet management are critical components of long-term success.”

“What does worry me is the dimming promise for fresh participation in the industry, especially for Black and Brown entrepreneurs,” Kovler said, adding that social equity licensees are often left “pretty helpless” in an industry that has severely restricted access to capital.

“We believe everyone would benefit from a solution to these problems from the federal government,” he said. “Consumers would have more buying options, a new cohort of entrepreneurs would emerge, communities would thrive from new business formations, and existing operators could expand product distribution.”

February 8, 2023 **Burns Levinson**

[Moving Markets: Declining Economic Conditions in Western States Lead to Curaleaf Exit](#)

“Recent economic conditions in mature and established cannabis markets have led major players to bow out due to oversaturation in search of more opportunistic emerging markets”

The California market has been troubled by several contributing factors, making it a particularly challenging market for a wholesale cultivator....cannabis price decline due to market oversupply and competition...without having a cap on cultivation licenses, the price floor for wholesale cannabis can drop much lower, particularly where California has limited retail space to sell the cannabis surplus.

“Cannabis companies currently operate in a challenging and distressed market, given the current state of the economy, so limiting certain challenges ... can mean life or death for some companies.”

January 3, 2023 **Dig Boston**

[Why Are Cannabis Prices Really Crashing?](#)

“The cannabis industry is populated with people who often don’t understand the fundamentals of business and do not grasp the industry construct of cannabis...supply gluts in one state drive prices down while supply constraints in another keep prices high.”

“Excess supply is not the cause, it is a symptom. The cause is the market not realizing when there is enough production capacity available and so the industry continues to roll forward until prices crash. By then it is too late. “

December 30, 2022 Washington Post

[How the marijuana 'green rush' fell apart](#)

"The legal cannabis trade, still in its infancy, is flailing in many parts of the country as the pandemic boom that sent sales soaring has tapered off. Supply is now flooding the market in several states, depressing prices and decimating already-thin margins"

"2022 marked the first year that any state recorded a decline in tax revenue from cannabis sales, and it occurred in five with relatively mature markets, according to a September report from The Urban-Brookings Tax Policy Center. In Colorado, sales were down every month compared with 2021, while retail prices tumbled 22 percent year-over-year. In California, tax revenue dropped year-over-year. And wholesale prices have fallen steadily in Oregon all year."

"When the industry was so new, there was sort of a sure bet," said Brian Lewandowski, executive director of the business research division at the University of Colorado at Boulder's Leeds School of Business. "Anybody could walk in and make money in this business and we saw people become millionaires overnight. But now it's competitive and you have to have a lot of business acumen."

"Lewandowski sees it as a natural settling in the market, one that is bound to be painful for some businesses."

It's a perfect storm, said Robin Goldstein, director of the Cannabis Economics Group at the University of California at Davis. "It's a cumulation of too much production and falling prices," he said.

"While oversupply might be the sector's most immediate challenge, it has other, more entrenched ones. Cannabis retailers are barred from many of the tax breaks and deductions commonly used in other industries. Other small businesses, for example, can write off as much as 20 percent of their qualified income."

"Cannabis is right now in a situation where almost nobody's making money and people are, in fact, losing enough every day that they're very concerned that they may not be able to last until [the market] comes back," said Dan Sumner, an agricultural economist at the University of California at Davis, who with Goldstein co-wrote the book, "Can Legal Weed Win?: The Blunt Realities of Cannabis Economics."

December 26, 2022 Cannabis Business Executive

[Oregon Cannabis: State of the State](#)

"It may be no consolation, but what we're seeing today in Oregon is endemic to regulated cannabis jurisdictions nationwide. Other than pain points arising directly from federal illegality (e.g. financial services headaches; tax burden), problems include: oversupply, unregulated competition, a generalized lack of consumer responsiveness to lower pricing, and even macroeconomic factors like higher gas prices. All of that said, it could always be worse. see [Colorado](#)."

December 25, 2022 Politico

[A national weed glut is causing prices to plummet and imperiling businesses](#)

"Michigan has way too much weed...state's recreational market has almost doubled in the past year. The number of active marijuana plants now exceeds 1.2 million, roughly six times the volume seen in 2020."

"... Michigan has enough cultivation capacity to supply three times as much weed as the state's consumers are buying..."

“Michigan is emblematic of what’s been happening across the country all year — and why the industry’s been in a funk even as legalization spreads: Ill-fated hopes that a Democratic-controlled Washington might loosen decades-old restrictions on the drug have given way to a market glut and plummeting prices that have put scores of businesses at risk of collapse.”

“In Colorado, prices have dropped by 51 percent ... The price of a pound of weed has plunged by 36 percent in Massachusetts and 46 percent in Missouri ...”

“The slump is messy enough in Michigan that some industry officials are calling for a moratorium on cultivation licenses three years after the state launched a recreational market.”

“ ‘With the glut of supply, and with so many licenses, it’s setting up businesses for failure,’ said Beau Whitney, an economist who focuses on the cannabis industry... ‘Nationally, very few people are making a profit in this industry’.”

December 19, 2022 **Bloomberg**

[Cheap Weed Has Become a Big Problem in the Pot Industry](#)

“Marijuana keeps getting cheaper, and that’s becoming a growing problem for the industry... Retail and wholesale prices have fallen as competition with the black market puts pressure on legal retailers to keep prices low, and this is making it hard for growers to get the supply-demand balance right... ‘The industry today is facing a number of headwinds. The most existential is pricing,’ said Rick Maturo, director of insights and intelligence for cannabis-data firm BDSA...”

December 2, 2022 **Cannabis Business Executive**

[As Michigan Cannabis Industry Matures, Demand for Capital Surges](#)

“As new players entered the market, production increased while demand stayed relatively stable... The oversupply of marijuana to the recreational and medical systems has particularly impacted companies at the grow level, where new cultivators have flooded the field. That same pattern has echoed across the other legal cannabis markets in the U.S.

With product outpacing demand, prices have fallen dramatically — a trend yet to show signs of slowing.

“...with an increasingly competitive landscape... companies are now clamoring for investment — a gap that many institutions are still unwilling to fill.”

November 30, 2022 **9NEWS, Colorado Local TV Station**

[Colorado marijuana industry experiencing 'largest downturn that we've ever seen'](#)

“Marijuana sales have declined for more than a year in the state, threatening public programs funded by the tax revenue the sales produce... marijuana sales are now seeing record lows.”

“Right now, the Colorado marijuana industry is going through the largest downturn that we’ve ever seen... expect that to continue into the coming year.”

“So why is this all happening now? It starts with supply and demand.”

“The medical market is down about 47% statewide and the recreational market is down about 20%.”

“In Colorado, the wholesale price of marijuana is at a record low. Today, it costs \$658 per pound. That’s half the price compared with this time last year, when it was selling for \$1,316.”

"The price of marijuana is at the lowest since the recreational marijuana was legalized in Colorado...the decrease in price is a result of the increase of supply of marijuana."

September 4, 2022 Politico

[Why weed companies can't make money](#)

"...most weed companies [from] continuing to hemorrhage red ink nearly a decade after Colorado and Washington became the first states to establish legal markets for anyone at least 21 years old. An analysis by POLITICO of financial filings from two dozen of the largest publicly traded U.S. operators shows that they collectively lost more than \$550 million in the first six months of this year on revenues of nearly \$4.5 billion.

"The cost of doing business for weed companies is just much higher than any other business."

"Arguably the biggest barrier to making money is the sky-high taxes weed companies pay because they're treated like illegal narcotics traffickers under the federal tax code. The goods also cannot cross state lines, and that lack of interstate commerce means companies must build separate farms, factories and stores in each state where they do business and navigate a rapidly evolving patchwork of state regulations. Finally, raising capital is extremely expensive due to a dearth of financing options, an issue both Republicans and Democrats in Congress recognize but have yet to address."

"Another factor exacerbating the current financial malaise: Companies spent heavily last year to expand capacity due to misguided optimism about the prospects for loosening federal marijuana restrictions after Democrats won control of Congress and the White House. That's led to a glut of product and plunging prices in many of the largest state markets like California, Colorado, Michigan and Massachusetts. Those struggles are being compounded by inflation and an illicit marijuana market that remains robust in many states."

"Realistically, it's still a bit too early in the game to be expecting anybody to be really making money, because all of these guys are still in investment phase," said Jon Decourcey, director of equity research at Viridian Capital Advisors. "It should be expected that it would be taking time to [have] those investments bear fruit in terms of actual profits."

October 31, 2022 MJBiz Daily

[Marijuana growers in mature markets call for license moratorium amid falling prices](#)

"Calls are increasing among marijuana growers to stop licensing new cultivation businesses... and others in the industry are appealing to their regulators and lawmakers to help cultivators struggling financially because of overproduction of flower and depressed prices on the wholesale market...argue that too much production makes it impossible to survive as a cannabis grower.

August 31, 2021 Forbes

['It's Gonna Be A Bloodbath': Epic Marijuana Oversupply Is Flooding California, Jeopardizing Legalization](#)

"...according to interviews with industry experts, is grow entirely too much cannabis. Exact figures are not known, but according to one rough estimate, California's legal cultivators grow more than three times as much cannabis as is sold in legal dispensaries."

"Whatever the exact figure, the common belief is that it's so much cannabis that the market is flooded, prices are crashing, and legal growers—in the red this year—may finally be forced out of business."

"But if that's true, and if there's too much weed grown in the state—where is the California cannabis going?"

No one but state regulators and law-enforcement (and whomever is moving the stuff) can say for certain, but the conventional wisdom is that it's either being sold off-books within state lines for half the price of heavily taxed legal cannabis—or it's appearing in New York, Florida, and other states where California cannabis fetches a premium.”

“There are loosened regulations after legalization that allowed for massive grows.”

June 27, 2022

MJBiz Daily

[Adult-use marijuana companies struggle to stay afloat amid overproduction, falling prices](#)

“As mainstream businesses cope with surging inflation and the threat of a recession, many adult-use marijuana companies – growers, retailers and ancillary businesses alike – are struggling with their own host of problems.”

“Falling prices and a product glut ... forcing companies out of business, triggering layoffs and setting off an industrywide scramble to stay afloat.”

“According to the Colorado Department of Revenue, marijuana sales in April totaled \$153 million, a 25% decline from April 2021. The price of wholesale cannabis flower is also down – 43% in the first quarter of the year compared to a year earlier.”

“Colorado cannabis retailers have also reported heavy oversaturation in the retail space ...”

“The situation has been just as bad for growers ... market price for a pound of wholesale marijuana flower has dropped from \$1,600 this time last year to about \$800 ... many of the smaller cultivators with 3,500- to 5,000-square-foot grows are likely to go out of business ... ‘Marijuana grows are selling for pennies on the dollar, if they’re selling at all’ ...”

May 6, 2019

Forbes

[The Giant Cannabis Problem No One Saw Coming](#)

“When states started legalizing cannabis, lawmakers worried about setting fees and rules for licensing and legislating where cannabis dispensaries could set up shop. The last thing they thought they needed to worry about was an oversupply of cannabis.”

“To say that Oregon has something of an oversupply issue is a vast understatement. The state’s authorities estimate that demand in the adult use cannabis space is running at just 50% of the supply ...sitting on approximately 1.3 million pounds of cannabis that it can’t shift...— enough to last until mid-2025 without the state having to grow one more plant.”

“Oregon’s cannabis policies are partially to blame here....lawmakers set about lowering the barriers to entry with rock-bottom license fees and taxes, and removed caps on the number of licenses.”

“But demand in the state hasn’t come close to keeping up with supply. There are just over 4 million people in Oregon, but they would each have to buy 5.2 ounces of cannabis today to clear the 1.3 million pound surplus. (For some perspective, an average dose of cannabis is .25g to 1g of dried cannabis.)”

Neighboring Washington, the first state to legalize adult use of cannabis in 2012, is in a similar position. ... rock-bottom price of cannabis in Washington is a sign that something is wrong... Washington has issued around 1,500 licenses for producers and processors, and their combined ‘canopy’, or grow area, is yielding far more flower than retailers can sell.”